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Supreme Court, U.S.
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No. 02-429

In The

Supreme Court of the United States

DETHMERS MANUFACTURING COMPANY, INC.,

Petitioner,

v.

AUTOMATIC EQUIPMENT MFG. CO.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITIONER'S REPLY TO BRIEF IN OPPOSITION

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RULE 29.6 STATEMENT

The Petitioner is Dethmers Manufacturing Company, Inc. Petitioner does not have a parent corporation. There are no parent or publicly held companies owning ten percent (10%) or more of the Petitioner's stock.

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PETITIONER'S REPLY TO BRIEF IN OPPOSITION

Automatic largely ignores the first question presented and only raises arguments that miss the point with respect to the second question. As a result, the fact that these are important and recurring questions which merit review now remains unchallenged.

I. THE FIRST QUESTION PRESENTED

At the heart of the first question presented is the issue of whether it is appropriate to declare claims of an issued patent invalid based on a failure to comply with a PTO procedural rule during the application process. Automatic has not presented any serious arguments that it is appropriate. Instead, Automatic attempts to cloud and confuse this issue by arguing that the APA authorizes such a remedy, and by attempting to twist the panel decision's language into a finding that the patent did not satisfy statutory requirements for patentability.

A. Automatic's arguments relating to the APA are not relevant to the questions presented.

Automatic argues that § 706 of the APA should apply in this case. (Opp. Br. 14-16). That may be true, but it is not relevant to the questions presented. The agency determination under review is whether the application complied with former PTO Rule 175. Assuming § 706 actually authorizes a reviewing court to set aside that determination (which Dethmers does not concede), it does not follow that the claims of the reissue patent would be invalid. Setting aside the examiner's determination regarding Rule 175 would merely establish that the application did not comply with Rule 175, not that the claims of the patent are invalid. This argument by Automatic simply begs the first question presented.

Furthermore, Automatic has misstated or misapprehended the meaning of § 706(2)(A). The standard of review

contemplated by that provision is not de novo. Instead, it is a very deferential standard that presumes the validity of an agency action and will only overturn such agency action if it is arbitrary and capricious. *Bowman Transport v. Ark.-Best Freight Sys.*, 419 U.S. 281, 285 (1974) ("Under the 'arbitrary and capricious' standard the scope of review is a narrow one. . . . 'The court is not empowered to substitute its judgment for that of the agency.' *Citizens to Preserve Overton Park v. Volpe*, [401 U.S. 402 (1971)], at 416.").

B. The Federal Circuit finding of invalidity for claims 4-7 was solely based on a perceived failure to comply with Rule 175 and not on any failure to satisfy the statutory requirements for patent.

Automatic argues that the Federal Circuit finding of invalidity for claims 4 through 7 was based on the statutory requirements of 35 U.S.C. § 251, rather than merely on failure to comply with Rule 175. (Opp. Br. 19-20). Specifically, Automatic argues that the Federal Circuit found that the claims failed to satisfy the "error without any deceptive intent" requirement of § 251. (Opp. Br. 19). Review of the panel opinion, however, clearly demonstrates that the holding of invalidity was based solely on failure to comply with Rule 175 and not at all on a failure to comply with the statutory requirements for reissue.

At the beginning of its legal analysis of the case, the Federal Circuit said: "the issue before us is a pure question of law: whether the substitute reissue declaration satisfies the requirements of Rule 175." (App. 6). With respect to claim 4, Automatic quotes the Federal Circuit as saying that there was no "indication 'that the error arose without deceptive intent.'" (Opp. Br. 19). The full quote from the Federal Circuit on that issue, however, is "that statement [in the substitute declaration] is not sufficient *to satisfy Rule 175* because it does not . . . *state that* the error arose without deceptive intent." (App. 17 (emphasis

added)). Therefore, it is clear that the Federal Circuit was not relying on any statutory failure regarding a lack of deceptive intent, but instead was relying entirely on its view that the statement thereof was insufficient under its interpretation of Rule 175. The court's analysis is similar with respect to claims 5, 6, and 7. (App. 17, 19, 20-21).

This reading is confirmed by the panel decision itself, which specifically said that it was rejecting the argument that a patent could not be invalidated for failure to comply with Rule 175. (App. 21). It is further confirmed by the dissent from denial of rehearing en banc, joined by six of the twelve Federal Circuit judges, which noted that "the panel decision invalidates certain reissue claims, not based on any of the statutory grounds of patentability recited in 35 U.S.C. §§ 101, 102, 103 or 112, nor on any requirement of 35 U.S.C. § 251, but on the application by the United States Patent and Trademark Office ("PTO") of its own procedural rule specifying the content of a reissue oath or declaration." (App. 194).

Automatic attempts to muddy the issues presented by arguing that the Federal Circuit has not in fact affirmatively found that the reissue patent complies with 35 U.S.C. § 251. (Opp. Br. 19). What is clear, however, is that the Federal Circuit based its finding invalidity solely on the failure to comply with Rule 175, and not on any failure to comply with § 251 of the statute. (App. 6, 9, 16-22). Patents are presumed valid (35 U.S.C. § 282), and the Federal Circuit explicitly rejected all the theories under which Automatic asserted the claims to be invalid under § 251. (App. 21-22 ("we agree with the District Court that Automatic's arguments regarding the nature of the errors corrected in the reissue patent and the lack of identity of invention between the reissue claims and the original patent claims do not withstand scrutiny.")). Whether or not that is characterized as a finding that the application complies with § 251 is not important, because the Federal Circuit's finding of invalidity was based solely on Rule 175

and not at all on non-compliance with the statutory provisions.

Automatic also cites to the case of *United States ex rel. Steinmetz v. Allen*, 192 U.S. 543 (1904), apparently for the proposition that it is appropriate for a court to correct a failure by a patent examiner to follow patent rules. (Opp. Br. 17-18). The important distinction between the *Steinmetz* case and the present case is that *Steinmetz* involved a pending application. *See* 192 U.S. at 543-47 (1904). Naturally, a court can require a patent examiner to comply with PTO regulations with respect to a pending patent application. This does not imply that an issued patent can be declared invalid because of a perceived failure to comply with PTO procedural rules, nor does it imply that the reviewing court should interpret the regulation in question de novo without any deference to the PTO.[1]

II. THE SECOND QUESTION PRESENTED

Automatic spends much of its Opposition Brief arguing about the PTO's actual interpretation of Rule 175. That argument misses the point of the second question. The question is not how the PTO has interpreted the regulation, but rather, should a reviewing court defer to that interpretation, whatever it is.

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[1] The *Steinmetz* case is an excellent example of the hierarchy between statutes and regulations. When *Steinmetz* was decided, the PTO had a rule that patents could not contain claims directed to both an apparatus and a method of using the apparatus. The applicant in the *Steinmetz* case had submitted an application that contained claims directed to a Watt meter and a method of using the Watt meter. The patent examiner had refused to accept the application based on the PTO rule. This Court struck down that rule as not being in compliance with the statute. In crafting the remedy for the inappropriate rule, the Court required the PTO to treat the application consistent with PTO procedural rules related to rejected claims.

A. The PTO's interpretation of Rule 175 in the present case is consistent with the interpretation in the MPEP and *In re Constant*.

To begin with, the PTO's interpretation of Rule 175 in the present case is in fact consistent with the interpretation set forth in the MPEP and the *In re Constant* case. The purpose behind having the *In re Constant* case published was to publicize that the PTO was requiring every error being corrected to be supported by a specification, and was not permitting blanket or general statements of error to be accepted. (L 127). While the PTO may have wanted a more definitive standard to be published so that the bar was aware of how the PTO was handling reissue declarations, the *Constant* case did not speak to how to apply that more definitive standard. *See In re Constant*, 827 F.3d 728, 729 (Fed. Cir. 1987).

In the *Constant* and *Nupla* cases, the applicant had completely failed to mention an entire category or categories of changes made to the claims in the declaration. That is not the issue in the present case. The issue here is whether the statements relating to the changes made to the claims contain enough specificity to satisfy the rule, not whether the applicant in the present case completely failed to mention entire categories of errors being corrected. As outlined by Judge Dyk in his dissent to the panel opinion, the PTO interpreted the regulation here to require a reasonable specification of the errors and changes made to the claims; in contrast, the panel majority required a nearly perfect correspondence between the reissue declaration and the changes made. (App. 31). Judge Dyk's analysis of how and why the declaration satisfied Rule 175 (App. 31-33) is entirely consistent with the interpretation of Rule 175 set forth in the MPEP and in the *Constant* and *Nupla* cases, since none of those sources speak to the interpretation issue faced by the examiner in the present case, which was how strictly to require specification of the error and of how the error arose.

Automatic also references several cases from the Board of Patent Appeals and Interferences that are not citable as precedential cases. (Opp. Br. 11). All of the cases relate to pending applications instead of issued patents; therefore, none of the cases addresses the issue of whether it is appropriate to declare claims in an issued patent invalid for failure to comply with Rule 175. Furthermore, none of them addresses the interpretation issue presented in the present case. Those cases deal with whether every departure from the original claims must be particularly and distinctly specified and supported in the oath or declaration. The interpretation in the present case goes beyond that and concerns what constitutes a sufficiently particular and distinct specification.

B. The PTO's interpretation of Rule 175 in its amicus filings is entitled to deference.

Automatic also argues that the interpretation of the PTO rule urged by the general counsel and solicitor for the PTO in their amicus filings with the Federal Circuit is entitled to very little weight because it was offered in the course of litigation. (Opp. Br. 13-14). This Court, however, has recognized that it is appropriate to defer to the interpretation of an agency set forth in an amicus brief. *Auer v. Robbins*, 519 U.S. 452, 462 (1997).

The cases cited by Automatic for the proposition that positions taken by agencies during litigation should be entitled to little weight are all cases where the agency was a party to the litigation. In that instance, the agency may have motivation to adopt a post hoc interpretation of the regulation that suits its purpose for the particular case. Here, however, the PTO is not a litigant, and the concern

about "convenient" litigation positions envisioned by the cited cases does not apply.[2]

III. THIS IS THE APPROPRIATE CASE TO RESOLVE THE QUESTIONS PRESENTED

Automatic's argument that "the resolution of this case does not turn on the level of deference given by the court to the PTO's interpretation of its regulation," (Opp. Br. 4-5) is demonstrably incorrect. As Judge Dyk forcefully demonstrated in his panel dissent, the resolution of this case turns directly on the level of deference given to the PTO's interpretation of its regulation. (App. 30-33). Unlike many cases where it is difficult to tell whether the level of deference is outcome determinative, in this case it is clear that the failure to give deference to the PTO resulted in a different outcome than if due deference had been given.

Automatic asserts that the "substantive issues of this case only affect unexpired reissue patents issued before December 1, 1997." (Opp. Br. 23). Once again, it is clear that that is not true. As six judges of the Federal Circuit explicitly noted:

> Although this issue arises in the context of a reissue regulation that has been changed, 37 C.F.R. § 1.175 (1996), the significance of this case is unaffected. The issue is not how the regulation should be construed, but rather the standard of deference due to the PTO's interpretation of the regulation.

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[2] Automatic suggests that the amicus position taken by the PTO in the Federal Circuit may not correctly reflect the actual agency position or have the approval of the agency head. (Opp. Br. 13). If the Court has any doubt as to whether the views expressed in the amicus filings with the Federal Circuit accurately reflect the position of the PTO, it would certainly be appropriate to invite the Solicitor General to file a brief on behalf of the PTO making clear the PTO's position.

(App. 197). Furthermore, those same six judges found that "[r]esolution of the deference issue, as the PTO has urged, is of 'exceptional importance.'" (App. 198). Similarly, Automatic attributes the assertion that the panel decision below creates "a serious anomaly in the patent law" merely to Dethmers (Opp. Br. 22), when it was in fact the six dissenting judges of the Federal Circuit who made that assertion. (App. 197).

Automatic takes issue with Dethmers' citation of the *Chamberlain Group, Inc. v. Interlogix, Inc.* cases. (Opp. Br. 22). There are two Chamberlain opinions: a decision on the merits (2002 WL 1263984 (N.D. Ill. June 3, 2002)), and a later decision on a request for reconsideration (2002 WL 1998292 (N.D. Ill. Aug. 28, 2002)). Although Dethmers' primary citation is to the decision on the merits (Pet. 18-19); Automatic's comments are directed to the decision on the request for reconsideration. In the decision on the merits, the court cited the Federal Circuit's *Dethmers* panel decision for the proposition that the court should determine compliance with new Rule 175 de novo, without any deference to the PTO's determination that the declaration in fact complied with the regulation, and as controlling authority for the proposition that the appropriate remedy for a failure of the declaration to comply with new Rule 175 is to invalidate the claims of the patent. *Chamberlain Group, Inc. v. Interlogix, Inc.*, 2002 WL 1263984 at *2 (N.D. Ill. June 3, 2002). The decision on the request for reconsideration did not alter the holding of the merits decision. 2002 WL 1998292 at *2. *Chamberlain* is thus an example of a case where a district court, in reliance on the Federal Circuit's decision in this case, refused to give deference to the PTO's finding that a declaration complied with its new regulation, and invalidated a patent for failure to comply with that regulation.

Similarly, Automatic disparages Dethmers' citation to the *In re McDaniel* case as an example of how the issues in this case are not limited to reissue patents issued before December 1, 1997. (Opp. Br. 21-22). Automatic makes

much of the fact that Dethmers originally characterized the rule at issue in *McDaniel* as an interference rule, when in fact the rule relates to appeals from a rejection of pending claims. (Opp. Br. 21). Whether it involved an interference rule or simply a rule related to appealed rejections, however, is of no importance. What is important is that the rule at issue in *McDaniel*, like the rule at issue in the present case, is a procedural rule of the PTO, and the Federal Circuit cited to the panel decision in this case for the proposition that refusing to give deference to the PTO's interpretation of the rule was appropriate "under the rule in *Dethmers*." *In re McDaniel*, 293 F.3d 1379, 1385 (Fed. Cir. 2002).

Automatic claims that "Dethmers does not argue that it complied with this rule, but rather argues that some departures from the original patent were not errors that required compliance with the rule." (Opp. Br. 8). This is simply not true. Dethmers' position has consistently been that it complied with Rule 175. Dethmers did argue that some of the small changes made to the patent, in particular changes to the drawings, did not need to be supported by the declaration. The District Court did not agree with Dethmers on this issue, and cited a failure to specify the defects in the drawings as a ground for finding the patent invalid. (App. 142). The Federal Circuit, however, agreed with Dethmers that the changes to the drawings did not need to be explained in the reissue declaration, and that this was not an appropriate ground to find the claims of the reissue patent invalid. (App. 13).

Automatic also argues that Dethmers' position, if accepted, would mean that examiners' conclusions are "unreviewable." (Opp. Br. 8). The substantial deference standard urged by Dethmers, and outlined in numerous decisions of this Court, however, is not an absolute deference standard. It permits a reviewing court to disregard an agency interpretation that is "plainly erroneous" or unreasonable. *See, e.g.*, *Auer v. Robbins*, 519 U.S. at 461 (1997) (agency's interpretation controlling unless "plainly

erroneous or inconsistent with the regulation."); *Shalala v. Gurnsey Mem'l Hosp.*, 514 U.S. 87, 94-95 (1995) ("It is a reasonable regulatory interpretation, and we must defer to it."). Furthermore, to the extent the examiner's decision to issue a patent involves a determination of statutory compliance, that decision is reviewable de novo; on the other hand, an examiner's decision as to compliance with a PTO procedural rule should not be reviewable after a patent issues. After the patent issues, the measure of whether the statutory requirements for patentability have been met should be the statute itself, and not whether the PTO followed its own rules in arriving at the correct conclusion that the statutory requirements were met.

The Court should grant the petition for a writ of certiorari.

Respectfully submitted,

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